



Builders Pass Along Cost Hikes

Building contractors jacked up their selling prices by hefty percentages this year to cover the sharp rate of cost escalation. All but one of the contractors' indexes are at all-time highs.

The indexes at latest calculation were raised anywhere from 7% to 10% over a year ago. And there can be little doubt that these contractor indexes will keep rising at an ominous rate during the year ahead. In fact, they will increase faster than in 1969.

The biggest increases in the past year came in the general building cost indexes compiled by Turner Construction Co. and the George A. Fuller Co. Turner's index for October was up 10.1% over a year ago. Fuller's October index was up 9.3% over October, '68.

Industrial plant cost indexes climbed a little less than the general building indexes. The Fruin-Colnon Contracting Co.'s industrial index for St. Louis was 8.2% higher than a year ago in November, even after having backed down from its August high because lumber and plywood prices tumbled.

The Austin Co., Cleveland-based design-constructor, calculated its September industrial plant cost index at 8.3% higher than a year ago. And from Detroit, the H. F. Campbell Co. reports that its 17-city average index for manufacturing plant costs was up 6.7% in October over a year ago.

the ENR Building Cost Index is that productivity is shriveling.

Next year, these contractor price indexes will steam upward at a faster pace. For not only are basic costs headed for a more rapid rise, forecast at 8.7% for ENR's Building Cost Index (see p. 79), but manpower shortages will aggravate labor cost problems.

General contractors will find little if any room for bargaining in bids quoted by subcontractors because the subs are hit by manpower shortages. Moreover, in some areas in some trades there just aren't enough subs to provide effective price competition. That's because while the volume of work has increased substantially over the years, the number of subs has leveled off or declined.

Contractors are apparently cautious about extending themselves by commitments far into the future, unless they get full protection from cost inflation. They shy away from loading up on several very large jobs that would tie

them up for the next three years. The basic reason for their caution is that they aren't too sure of what's ahead for future wage contract terms, supply of labor, labor productivity and other important cost factors they don't control.

Aware of the cost pressures that contractors face and watching the uptrend in bid prices, designers are escalating their project cost estimates at rates that more adequately reflect the true situation.

Smith, Hinchman & Grylls, Detroit-based architect-engineers, jacked up its general building cost index by 11% during the 12 months ending October. This increase was nearly double the 6.1% climb in its index during the year ending October, '68. This designer's index approximates a contractor's selling price index by including estimates of changes in labor premiums and productivity, contractor competition, overhead and profit, plus other factors that round out total job costs.

Construction and Building Cost Index Roundup

General Cost Indexes	Base: Orig	Used Here	1969											
			1949	1965	1966	1967	1968	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
ENR Construction Cost, 20-cities averf.	1913	Same	477	971	1021	1070	1154	1285	1283	1292	1285	1299	1305	1306
ENR Building Cost, 20-cities averf.	1913	Same	352	627	652	671	721	798	792	799	795	797	801	802
Assoc. Gen. Contractors, 12-cities averf.	1913	Same	342	613	633	657	692	757	763	764	765	763	765	...
U. S. Dept. of Commerce, composite	1957-59	...	74	116	121	127	131	141	142	143	143	144	...	...
Contractor Price Indexes—Building														
Aberthaw, New England Industrial	1914	Same	312	582	609	628	655	683	...	...	...	...	...	...
Austin, Central & Eastern, Industrial	1926	1913	307	470	483	494	511	542	...	...	557	...	...	...
Fruin-Colnon, St. Louis, Industrial	1926	1913	382	651	686	743	788	970	970	970	869	869	869	...
Fuller, Eastern Cities General	1939	1913	382	655	670	685	716	...	802	...	...	802	...	...
Turner, Eastern Cities, General	1939	1913	413	655	676	695	738	...	813	...	...	827	...	...
Smith, Hinchman & Grylls, Detroit, General	1926	1913	395	647	680	703	790	831	838	845	853	862	...	...
H.F. Campbell, 17-cities, Manufacturing	1961	Same	...	102	105	109	115	121	124	124	125	125	...	...
Valuation Indexes														
American Appraisal, 30-cities, Industrial	1913	Same	490	824	867	909	971	1046	1059	1061	1065	1069	...	...
Boeckh Division, The American Appraisal Co.	1924-29	1913	369	609	635	677	721	774	781	781	783	789	...	...
Marshall & Stevens, Indus.	1926	1913	365	613	636	672	705	755	...	...	765	...	...	...

* Adjusted for productivity † No adjustment for productivity ‡ Architect-Engineers

• Rise 50% faster—All of these indexes have escalated at a faster clip this year. Most have risen 50% more than last year. The Austin Co.'s index accelerated the most—moving from a 3.3% rise in the year ending September, '68 to 8.3% this year.

None of these indexes measures labor productivity accurately. This measurement is difficult and would be too costly to do. But productivity is reflected to the extent of educated guesses. One reason why contractor indexes are outclimbing